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Special meeting on international cooperation in tax matters

Summary record of the 20th meeting
Held at Headquarters, New York, on Thursday, 5 June 2014, at 10 a.m.

President: Mr. Sajdik ..... (Austria)

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The meeting was called to order at 10.15 a.m.

International cooperation in tax matters (E/2013/45-E/C.18/2013/6)

1. **The President** said that the Economic and Social Council, in its resolution 2013/24, had decided to hold a special meeting on international cooperation in tax matters on an annual basis, recognizing the need for continued consultations to explore options with regard to the strengthening of institutional arrangements to promote such cooperation, as well as the need for enhanced dialogue among national tax authorities. He welcomed the representatives of national tax authorities, the members of the Committee of Experts on International Cooperation in Tax Matters and representatives of academia, civil society and the private sector.

2. During the special meeting, the topic of base erosion and profit shifting issues in the context of domestic resource mobilization for development would be considered. Protecting and broadening the tax base of developing countries would most likely be one of the critical components of a new financing strategy to support the post-2015 development agenda. Taxation must be seen in the context of attracting investment, fostering employment and creating job opportunities for 1.8 billion young people worldwide. How tax matters were handled and whether they were governed by the rule of law or by greed and arbitrariness was indicative of the quality of governance in a given country. There had been strong momentum in developed countries to curtail base erosion and profit shifting. The Organisation for Economic Co-operation and Development (OECD) was undertaking an important project on that issue at the request of the finance ministers of the Group of 20 (G20).

3. Extractive industries taxation issues in developing countries would be another area of focus during the special meeting. Endowments of oil, gas and minerals had been instrumental in setting some countries on the course of sustainable development. Establishing fiscal arrangements for the extractive sector to realize the potential value of natural resources required responses in various areas of economic policy.

4. **Mr. Yaffar** (Chair of the Committee of Experts on International Cooperation in Tax Matters), introducing the report of the Committee on its ninth session (E/2013/45-E/C.18/2013/6) and accompanying his remarks with a digital slide presentation, said that the ninth session had been the first meeting of the Committee's new members, who would serve until 2017. A new Bureau had been elected.

5. The Committee's main goals were to complete new versions of the United Nations Practical Manual on Transfer Pricing for Developing Countries and the United Nations Model Double Taxation Convention between Developed and Developing Countries before the current membership period ended and to continue producing documents that responded effectively to the changing international taxation landscape and were of use to developing countries. The Committee had once again turned its attention to the issue of the exchange of information. In particular, it would be important to update article 26 of the United Nations Model Double Taxation Convention, particularly in relation to the exchange of information relating to groups of taxpayers, and to establish automatic information exchange as the new international standard. Those innovations would be of particular benefit to developing countries.

6. With regard to the OECD/G20 base erosion and profit shifting project, the Committee was seeking to perform an information and liaison role by identifying how developing countries were affected by tax evasion and avoidance and then providing feedback to OECD that could be taken into account in its guidelines on how to combat the problem. The work of OECD would also feed into the current work of the United Nations on the issue. Furthermore, the Committee aimed to take the work of OECD and make it easier for developing countries to understand and implement. In that regard, working groups were needed to provide technical assistance. A progress report would be provided at the next meeting.

7. Taxation of services and fees for services had sparked controversy in the Committee. It had previously determined that the right to taxation by the source country should be extended to income from services provided or paid for in another territory. The Committee had now decided that a new article on that issue would be drafted for inclusion in the United Nations Model Convention; however, no conclusions had yet been reached and the framework of the article was still to be established. In particular, a clear definition of technical services was needed.

8. On the topic of transfer pricing, the definition of the arm's length principle in the United Nations Model Convention would be reviewed by the relevant Subcommittee, as some countries wanted to revise its scope. Work would also begin on an update of the United Nations Practical Manual on Transfer Pricing for Developing Countries, in order to consider intangibles, intra-group services and cost contribution arrangements. Taxation of extractive industries was another important issue for resource-rich developing countries, particularly in Africa and Latin America, and various procedures had been proposed to increase tax revenue from those industries.

9. The Manual for the Negotiation of Bilateral Tax Treaties Between Developed and Developing Countries contained basic information on reasons for including certain provisions in treaties and the effects of those provisions. Such tools were needed to provide technical assistance in regions where negotiations on bilateral treaties were just beginning, in order to avoid errors that could lead to decreases in tax revenue. The Committee had decided to develop a new Manual, which would focus on practical advice, and had formed a new Subcommittee on Negotiation of Tax Treaties for that purpose.

10. Because human and financial resources were lacking, the Committee could not fulfil its mandate as quickly as the issues merited. The Council should consider whether more resources could be made available for technical assistance, so that developing countries had the tools they needed to respond in a timely manner to the challenges of combating base erosion and profit shifting and implementing automatic information exchange. Such tools would help provide a fairer basis for appropriate taxation in the country where income was generated.

11. **Mr. Trepelkov** (Director, Financing for Development Office), speaking pursuant to paragraph 8 of Council resolution 2013/24 and accompanying his remarks with a digital slide presentation, said that several subcommittees established at the ninth session of the Committee had made progress towards implementing their mandates. The Subcommittee on Article 9 (Associated Enterprises): Transfer Pricing had updated the commentary on article 9 of the United Nations Model Convention and would present it for approval at the Committee's tenth session. The Subcommittee had also decided on its programme of work, with a view to updating the United Nations Practical Manual on Transfer Pricing for Developing Countries. The updated Manual would contain new chapters focusing on services, including cost contribution arrangements, management fees and business restructuring, as well as a summary of available technical assistance and capacity-building resources on transfer pricing.

12. The Subcommittee on Extractive Industries Taxation Issues for Developing Countries had held its initial meeting in May 2014. It had decided to produce guidance notes on selected extractive industries taxation issues, such as the indirect sales of extractive industry interests and capital gains tax, tax treatment of environmental issues, value added tax refunds, tax treaty issues and norm pricing.

13. The Subcommittee on Base Erosion and Profit Shifting Issues for Developing Countries had also launched its programme of work and its coordinator had prepared a paper, including a questionnaire, to provide information and seek feedback on national experiences. Four developing countries and two civil society organizations had replied to date.

14. Funding remained a major challenge for the subsidiary bodies of the Committee. Several years earlier, the Secretary-General had established a trust fund for voluntary contributions from Member States and institutions interested in providing financing for the Committee's activities. However, no contributions had been received to date, resulting in the inadequate participation of experts from developing countries in the Subcommittees.

15. With regard to the United Nations capacity development programme in international tax cooperation, the Committee, at its ninth session, had established an Advisory Group on Capacity Development, which was mandated to make recommendations on capacity-building and technical assistance for developing countries. The Financing for Development Office was seeking the Advisory Group's engagement in all its capacity development initiatives. Capacity-building had been undertaken in the area of tax treaties, drawing on the United Nations Model Convention. A United Nations course on double tax treaties had been finalized, and had been delivered for the first time, in Panama City in March 2013, with the participation of 30 treaty negotiators and administrators from 16 developing countries in Latin America and the Caribbean. The new Subcommittee on Negotiation of

Tax Treaties had received five papers presented to the Committee as inputs for the new Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries and would continue to be supported by the Financing for Development Office as it drafted the full text of the Manual.

16. The first joint United Nations-OECD practical workshop on negotiation of tax treaties had been held in Vienna in May 2014. It had been conducted in the form of simulated tax treaty negotiations, with the participation of 27 treaty negotiators from developing countries. Furthermore, a joint project with the International Tax Compact had led to the development of the United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries, which would be used during a three-day workshop to be held by the International Tax Compact in March 2015 in Berlin, Germany, with the participation of up to 30 national officials from developing countries.

17. The Financing for Development Office had undertaken further capacity-building work in the area of transfer pricing, designing a practical course for developing countries. Technical reviews of sample modules had been held, and the course would be finalized in the first half of 2015. Another recently launched project focused on building the capacity of developing countries to increase their potential for domestic revenue mobilization by protecting and broadening their tax base. The work involved outlining various practical solutions to increase tax revenues and would result in a collection of papers developed in a demand-driven manner, taking into account inputs from developing countries. As part of the project, the Office, in cooperation with the OECD Centre for Tax Policy and Administration, had recently organized a workshop on tax base protection for developing countries, with a focus on prevention of tax treaty abuse; taxation of income from services; tax base protection in the digital economy; and tax incentives and tax base protection issues.

18. The Financing for Development Office and the Inter-American Center of Tax Administrations had completed a joint project to strengthen the capacity of the national tax authorities of developing countries in Latin America to measure and reduce tax transaction costs in small and medium enterprises. With a focus on developing and testing an empirical methodology based on a set of key indicators, it had sparked significant interest in Latin America. A forthcoming publication in English and Spanish would feature a comprehensive description of the project's methodology, detailed reports of its pilot implementation in Costa Rica and Uruguay, lessons learned and relevant recommendations.

Panel discussion on international tax cooperation: current issues on the agenda of international organizations

19. **Mr. Trepelkov** (Director, Financing for Development Office), moderator, introducing the theme of the discussion, said that at the United Nations, work on international tax cooperation was part of the framework of financing for development and was related to several substantive areas of the Monterrey Consensus of the International Conference on Financing for Development, including domestic resource mobilization, international trade, private capital flows and systemic issues. The importance of raising tax revenues for development had been repeatedly emphasized in the outcomes of major United Nations conferences and summits on economic and social matters, and had recently featured prominently in intergovernmental discussions on a new financing strategy in support of the post-2015 development agenda. In its most recent resolution on financing for development, the General Assembly had recalled the resolve of Member States to strengthen domestic resource mobilization and fiscal space, including, where appropriate, through modernized tax systems, more efficient tax collection, the broadening of the tax base and the effective combating of tax evasion and capital flight. It was important to support national efforts by strengthening technical assistance and enhancing international cooperation in tax matters.

20. The Council and its Committee of Experts on International Cooperation in Tax Matters were tasked with carrying out the work of the United Nations on international cooperation on tax matters. In its resolution 2013/24, the Council had emphasized that the Committee should enhance its collaboration with other international organizations active in the area of international tax cooperation, recognizing the need for a broad-based dialogue on the subject.

21. The present panel would provide a unique opportunity for members of the Council and representatives of national tax authorities to benefit from direct briefing by high-level representatives of relevant international and regional organizations on their work in the area of international taxation.

22. **Mr. Saint-Amans** (Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development (OECD)), noting the importance of inter-agency cooperation in tax matters, welcomed the closer collaboration between his organization and the United Nations over the last two years. One of the first priorities of the OECD tax agenda, executed by the Centre for Tax Policy and Administration, was to combat base erosion and profit shifting. The standards developed in the international community to eliminate double taxation were not intended to facilitate double non-taxation, whereby certain corporations avoided taxation by exploiting legal loopholes to shift profits to low-tax locations where no real economic activity took place. The OECD/G20 base erosion and profit shifting project aimed to maintain Governments' capacity to eliminate double taxation in a manner that was sustainable and compatible with their financing needs, in line with the common principles of promoting investment and job creation by businesses, and to put an end to the shortcomings caused by a lack of cooperation between tax authorities. The international community must rise to the challenge and eliminate double non-taxation; that was also the best guarantee for eliminating double taxation, for the two were inextricably linked. His organization would be rapidly advancing the base erosion and profit shifting project over the next two years, in a holistic programme that covered the core of OECD activity on tax matters: the Model Tax Convention on Income and on Capital and the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, as well as new rules to be developed to address gaps concerning controlled foreign corporation legislation, interest deductions and hybrid products.

23. Another OECD priority was to ensure that, in a globalized world, tax authorities could exchange information effectively in order to prevent tax evasion. Significant progress had been made in the area of the exchange of information since 2009, including by States that had traditions of bank secrecy. The next step would be a shift to the automatic exchange of financial information, including information on account balances, transactions, interest, dividends and other revenue. OECD was currently developing common reporting standards for the automatic exchange of information, to be submitted to the G20. He welcomed the active engagement of the Committee of Experts on the same topic.

24. A third priority of the OECD tax agenda was development. Domestic resource mobilization was a major concern for all countries, as reflected in the G20 programme of work. OECD had established a task force on taxation and development, bringing together representatives of civil society, developing and emerging countries, and OECD member countries, which sought to promote work on transfer pricing that was better suited to the needs of developing countries, including by identifying the need to develop a database of comparable data and by addressing the issue of tax incentives. It was also working on a small "Tax Inspectors Without Borders" pilot initiative in certain niche markets, with the aim of complementing the work of international finance institutions by sending tax inspectors on short missions to audit companies in developing countries.

25. Lastly, OECD efforts were focused on improving fiscal policy to boost growth and address increasing inequalities within and between countries; supporting implementation of tax policies; and enhancing tax cooperation, including by holding regular conferences attended by the heads of the tax authorities of more than 45 countries.

26. **Mr. Verdi** (Executive Secretary, Inter-American Center of Tax Administrations (CIAT)), accompanying his remarks with a digital slide presentation, said that Latin America and the Caribbean was characterized by inequality. Instead of giving a summary of his organization's business model, he wished to draw attention to the network of experts on which it relied, for it would be unable to work solely with internal resources. CIAT continued to develop relationships with regional universities and had agreements with four such institutions, including a Master's programme. It also cooperated with relevant international and regional organizations in order to meet the needs of its member countries and provide the necessary products and services.

27. The Center, which operated according to a voluntary system, receiving both requests for and offers of technical assistance, had conducted various studies that highlighted a number of major challenges in the area of tax matters. One fundamental problem was the lack of understanding about the role of tax revenues in the development of society: in the Latin American and Caribbean region, tax evasion rates exceeded 40 per cent. There was also a clear need for better quality tax systems in order to reduce injustice

and, more importantly, for more reliable sources of information, including in order to be able to meet international standards on the exchange of information, given that the region lacked comprehensive databases of bank accounts, bank transactions, property and credit card use. Member countries had also drawn attention to such barriers as weak operating capacity to process, analyse and use available data, and the need for enhanced information exchange.

28. Countries usually requested technical assistance involving technical visits and cooperation projects and there was a marked preference for missions to gain experience from other countries on themes such as transfer pricing and information exchange. In that regard, with funding from the United Nations, the European Union and other donors, Latin American countries had benefited from 26 bilateral or multilateral missions in 2013. Courses in classroom settings and online courses were also often requested, with strong demand for capacity-building in such areas as auditing, implementing taxation and transfer pricing. Other requests focused on techniques for strategic information management and the use of computer technology for selecting risk analysis factors. The industries in respect of which assistance was requested varied depending on the main sectors of activity in a given country; however, all countries without exception had requested assistance in the financial sector, for very few had expertise in technical operations such as swaps.

29. Given the widening technology gap between countries, it was important to ensure that young people had equal access to — and the necessary skills in — the Internet and technology. Such disparities were evident in the region: Brazil was at the cutting edge of technology and had moved almost entirely to electronic processing, while countries such as Suriname and Guyana had great difficulty investing in information technology. Ways must be found to reduce that gap. It was worth noting, however, that the use of electronic invoicing was already widespread and had been made compulsory in a number of countries throughout Latin America. It was a very effective mechanism for monitoring value added tax (VAT), which accounted for 25 per cent of tax revenue, and was thus a tool for combating high rates of VAT evasion. Brazil had implemented a public system of digital bookkeeping, while Chile and other countries were virtually eliminating VAT returns as a result of electronic invoicing, which also offered significant benefits for companies.

30. **Ms. Perry** (Assistant Director, Fiscal Affairs Department, International Monetary Fund (IMF)), accompanying her remarks with a digital slide presentation, said that much of the Fund's analytic and technical assistance in tax policy and administration was provided to developing countries, although it also worked with emerging and advanced countries. It engaged in extensive collaboration with other agencies and partner organizations and, in addition to its focus on general tax policy and revenue administration issues, it worked extensively on fiscal regimes for natural resource extraction, as well as on the fiscal aspects of climate and the environment. Technical assistance was demand-driven and was supported by internal resources, as well as extensive bilateral donor financing and two $25-$30 million multi-donor trust funds. All technical assistance was conducted or closely directed from headquarters. A total of 50 tax policy and 90 revenue administration missions were conducted annually to some 100 countries; nine Regional Technical Assistance Centres provided extensive help on tax administration matters; and a significant number of experts were engaged in specific policy and administration areas.

31. Among the core policy challenges addressed by IMF were issues relating to the need to design broad-based VAT with a fairly high threshold; coherent schemes for small enterprises; loss of revenue from trade liberalization; building an effective personal income tax, which was particularly difficult in the lowest income countries; and dealing with high-income individuals and the largest individual taxpayers, particularly with regard to the equity of the tax system. There had recently been an unprecedented number of requests from developing countries for assistance with property taxation, reflecting the technological changes that made such taxation more feasible for countries with limited administrative capacity and an increasing recognition that it was an equitable source of domestic revenue. IMF provided assistance in developing analytical capacity within Governments for revenue and collection performance, gap analysis, tax expenditure analysis, and modelling and forecasting. The question of broadening the corporate income tax base for developing countries was also important. Furthermore, incentives and tax competition were long-standing concerns that IMF had worked to address

over the years in collaboration with a number of regional organizations and groups of countries.

32. A recent IMF paper, completed with OECD and United Nations participation, aimed to provide a macroeconometric analysis of the significance of base erosion and profit shifting issues for developing countries and to examine in detail the impact of the existing architecture on them, particularly with regard to such topics as tax treaties, arm's length pricing, indirect transfers of interest and thin capitalization. IMF had also produced several other publications, and had worked on a number of smaller projects concerning the taxation of specific sectors of significance for developing or lower-income countries.

33. IMF had worked extensively on revenue administration and capacity-building based on the principles of good governance, good management, risk assessment and taxpayer segmentation. The recently developed Tax Administration Diagnostic Assessment Tool (TADAT) was intended to provide an objective, standardized performance assessment of a country's tax administration. Given that all tax administrations faced similar challenges, the premise was to identify and compare strengths and weaknesses of administrations across nine critical outcome areas, which would facilitate a shared view among all stakeholders. Countries could use the ideas generated to design the focus of administrative reforms and to help manage and coordinate support for them, including by providing a basis for monitoring and evaluating progress, which was an issue of increasing concern now that technical assistance was regularly subject to cost-benefit analysis. The design should be finalized by the end of 2014 and the tool released as a global public good in 2015. It had been financed by bilateral donors and its secretariat would be jointly hosted by the World Bank and IMF. Ultimately, any organization interested in providing technical assistance could carry out an assessment using the tool, as long as assessors had been trained and accredited. Some 50 assessments were expected to be carried out each year and the tool would be updated continuously as countries undertook reforms.

34. Lastly, the work of IMF on climate and the environment was based on the concept that fiscal instruments were critical to progress on environmental issues. It focused on climate agreements, climate finance arrangements — such as charges levied on domestic and international aviation fuels — and energy subsidies. Recent analysis by expenditure policy teams had shown that the implicit subsidies arising from the failure to levy a tax on carbon and other externalities far exceeded direct energy subsidies, which were quite ineffective in terms of improving equity, as many benefited more affluent citizens. Some IMF missions had an environmental tax focus and considerable analytical work was being carried out through conferences on green fiscal reforms organized jointly with multilateral partners and private academic organizations.

35. **Mr. Weisleder** (Observer for Costa Rica) asked what steps could be taken by States to avert a "race to the bottom" as they strove to reduce corporate tax rates below those of competing States to attract foreign investment. It was worrying that while levels of private and corporate wealth in many countries were rising fast, those countries' public finances were under increasing pressure. Countries that had established themselves as tax havens, especially developing countries, would naturally resist efforts to strengthen tax cooperation, including in areas such as transfer pricing. The international community should work with those countries to develop strategies that would help them rebalance their economies. He would also like to know whether countries could request assistance from OECD in the area of tax cooperation only if they were members of that organization.

36. **Mr. Saint-Amans** (Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development (OECD)) said that OECD sought to advise countries on tax cooperation through the Global Forum on Transparency and Exchange of Information for Tax Purposes. Approximately 120 OECD and non-OECD jurisdictions participated on an equal footing in that Forum, which had established standards of transparency and exchange of information for tax purposes, and had been mandated by the G20 to develop a peer review mechanism to ensure that jurisdictions exchanged information on tax matters on an equitable basis.

37. Base erosion and profit shifting must be addressed as a matter of priority if countries were to avert a "race to the bottom" in tax policy. Companies must not be able to benefit from double non-taxation. However, it should be recognized that high corporate tax rates could curb growth: lower rates could incentivize investment. OECD was striving to promote fair tax competition between competing jurisdictions; tax policies should not be formulated primarily to

attract mobile capital. Moreover, OECD believed that countries should not place undue emphasis on raising revenue from corporate taxes. Instead they should seek to raise revenue using a range of taxation methods, including personal income, corporate, inheritance and value added taxes.

38. **Mr. Verdi** (Executive Secretary, Inter-American Center of Tax Administrations (CIAT)) said that while countries in Central and South America faced significant challenges related to base erosion and profit shifting, they also suffered from high rates of domestic tax evasion. Although electronic invoicing had helped to increase VAT collection rates in some States, the Economic Commission for Latin America and the Caribbean estimated that rates of VAT evasion remained at about 40 per cent and personal income tax evasion rates sometimes approached 50 per cent.

39. Owing to a lack of resources, numerous initiatives by Governments in the region to reform their tax regimes had failed. In Guatemala, for example, where vested private sector interests had thwarted reform, the tax collection rate was only 10 per cent. For the countries of the region to implement the critical tax reforms they required, significant additional technical assistance and financial resources were needed from international stakeholders, including the World Bank and IMF.

40. **Ms. Perry** (Assistant Director, Fiscal Affairs Department, International Monetary Fund (IMF)) said that corporate income taxes in developing countries generated a significant proportion of Government revenue, even if the amount raised was not large in absolute terms. In part, that was due to the fact that effective personal income tax regimes were difficult to implement in very low income countries. Erosion to those countries' corporate tax bases therefore posed a significant challenge. In the promotion of developing countries' fiscal welfare, fair tax competition, including with regard to tax rates and tax holidays, was of critical importance. The Fund was therefore working with regional groups and Governments to promote fair tax competition, emphasising how tax incentives could sometimes result in significant tax base erosion, and was trying to facilitate agreement on a tax rate floor, below which States would not reduce their tax rates. States did not always fully understand the potential repercussions of changes to their tax regimes and should analyse the likely impact of any proposed change before it was implemented. In that regard, IMF was seeking to analyse how changes by one country to its tax system affected the tax bases of other countries, and hoped that a better understanding of how tax regimes were interrelated would allow policymakers to slow the "race to the bottom". Companies were also increasingly able to move their tax burdens between jurisdictions. It was important that policymakers fully understood the repercussions of that development, particularly on tax competition in low-income countries. Ways must be found to tax mobile capital effectively.

41. **Mr. Yaffar** (Chair of the Committee of Experts on International Cooperation in Tax Matters) requested information on how the Global Forum on Transparency and Exchange of Information for Tax Purposes was seeking to facilitate the establishment of international mechanisms for the automatic exchange of information for tax purposes. He also asked what steps still needed to be taken by members of the Forum for the automatic exchange of information to become standard practice among jurisdictions.

42. **Mr. Saint-Amans** (Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development (OECD)) said that the globally agreed standard for the exchange of information on request had come into effect in 2009. The Global Forum on Transparency and Exchange of Information for Tax Purposes evaluated each jurisdiction's legal and regulatory framework, assessed how that framework was implemented in practice, rated each jurisdiction's performance in ten key areas, and ascribed an overall rating to each jurisdiction on its compliance with the standard. As of June 2014, the Global Forum had evaluated more than 100 jurisdictions' legal and regulatory frameworks and had assessed how those frameworks were being implemented in approximately 70 jurisdictions. The Global Forum would continue to monitor jurisdictions' compliance with their exchange of information commitments.

43. Partly in response to domestic legislation adopted by the United States of America, pursuant to which jurisdictions were required to provide tax information automatically to the United States authorities, a number of countries had called for information for tax purposes to be exchanged automatically at the global level. OECD, at the request of the G20, with input from that Group, non-members of the two organizations and the Global Forum, was formulating a common reporting standard on the automatic exchange of information for tax purposes, which was expected to be submitted to the

G20 in September 2014. Several jurisdictions, including Jersey, Guernsey and the Isle of Man, had already affirmed their commitment to adopt the standard by 1 July 2017 on 2016 tax information. All jurisdictions that, by October 2014, had not made a commitment to adopt the standard within a reasonable time frame would be urged to do so at a meeting to be held that month in Berlin.

44. Jurisdictions would need to amend their domestic legislation to provide for the automatic exchange of information. Intergovernmental agreements in that area would also be needed and, in that connection, developing countries were urged to accede to the Convention on Mutual Administrative Assistance in Tax Matters, which had already been signed by more than 60 countries and 70 territories. Financial institutions and tax authorities would then need to develop and put in place computer software to provide for the automatic exchange of information. The Global Forum would begin monitoring jurisdictions' compliance with the standard in 2017 or 2018.

45. Although developing countries frequently had little tax information of interest to other jurisdictions, those countries were often very interested to learn to which jurisdictions their taxpayers had transferred assets with a view to evading taxes at home. To facilitate the automatic exchange of tax information, however, developing countries, which often lacked even basic financial architecture, would require significant technical assistance to help them develop and implement sophisticated tax information collection mechanisms and ensure that all tax information was held and transferred securely. The Global Forum Working Group on Effective Exchange of Information had drawn up a road map on the automatic exchange of information for developing countries, which it had submitted to the G20 for consideration. It was hoped that the Council could also provide useful input to discussions in that regard.

46. **Mr. Yaffar** (Chair of the Committee of Experts on International Cooperation in Tax Matters) said that many countries, including several Caribbean jurisdictions, would require significant technical assistance, notably in the development of solid legal frameworks, to be able to exchange information automatically for tax purposes with other relevant stakeholders. He would like to know whether CIAT planned to provide Caribbean countries with such technical assistance, especially as several important financial centres were located in that region.

47. **Mr. Verdi** (Executive Secretary, Inter-American Center of Tax Administrations (CIAT)) said that the automatic exchange of information on tax matters represented a huge challenge for many countries in the Latin American and Caribbean region and, while it must ultimately be implemented by all countries, it would not be achieved overnight. Some countries were only just learning to exchange information on request and did not have the necessary infrastructure and personnel to exchange information automatically. Significant long-term technical assistance would be required, together with substantial investment in infrastructure and human resources. Progress had already been made in the region, with the support of CIAT. For example, a new tax administration had been developed in Panama, while Paraguay had implemented an innovative information technology system that allowed its tax authorities to quickly verify whether taxes had been paid. However, those projects had taken several years to complete and had required substantial funding, from the Inter-American Development Bank and the World Bank, respectively.

48. **Mr. Sollund** (Coordinator, Subcommittee on Transfer Pricing-Practical Issues, Committee of Experts on International Cooperation in Tax Matters) asked whether States not members of either OECD or the G20 would be involved in the development of the multilateral instrument proposed in Action 15 of the OECD Action Plan on Base Erosion and Profit Shifting.

49. **Mr. Saint-Amans** (Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development (OECD)) said that States not members of OECD or the G20 would be encouraged to participate in that process.

General discussion

50. **Mr. Mollinedo Claros** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that, although the central role played by tax regimes in development was increasingly acknowledged, there was still no global, inclusive norm-setting body for international tax cooperation at the intergovernmental level. Furthermore, a greater focus was needed on the development dimension of tax issues.

51. The Group reiterated its call for the Committee of Experts on International Cooperation in Tax Matters to

become an intergovernmental subsidiary body of the Council, whose members would represent their respective Governments. That would enable all Member States, including developing countries, to participate in the Committee on an equal footing. Moreover, the United Nations, as the sole truly global forum, should play a key role in fostering international cooperation in tax matters.

52. The achievements of the Committee, including its revision of the United Nations Model Convention and its approval of the United Nations Practical Manual on Transfer Pricing for Developing Countries, were to be commended. The Committee had also done exemplary work in the area of capacity-building on international tax matters and should be further strengthened, so that it could make a more effective contribution to the work of the Council and the formulation of the post-2015 development agenda.

53. The Group called upon States and relevant institutions to make voluntary contributions to the Trust Fund for International Cooperation in Tax Matters with a view to supporting the work of the Committee of Experts and its subcommittees and facilitating the participation of experts from developing countries.

54. **Mr. Gioldassis** (Greece), speaking on behalf of the European Union and its member States, said that supporting developing countries in efforts to reform their tax systems and increase domestic revenue mobilization was a high priority for the European Union, which was striving to improve synergies between tax and development policies. Deepening economic integration was creating new challenges for countries as they sought to mobilize domestic revenue and often hampered their efforts to establish efficient, effective, fair and transparent tax regimes. Governments, regional forums and relevant international organizations needed to work more closely with each other to address those challenges. In particular, if the international community was to address increasingly global issues such as tax evasion and fraud, developing countries must be fully involved in discussions on international cooperation in tax matters. The Union and its member States strongly supported the work of regional tax administration organizations, such as the Inter-American Center of Tax Administrations. To help countries mobilize domestic resources, the Union was developing a flagship programme to enhance the international tax environment, inter alia, by fostering transparency in the exchange of information and promoting fair tax competition.

55. **Mr. Francis** (Bahamas), speaking on behalf of the Caribbean Community (CARICOM), which aligned itself with the statement made on behalf of the Group of 77 and China, said that there was an urgent need for an informed discussion of international cooperation in tax matters within the context of a meaningful dialogue on development. CARICOM affirmed the legitimacy and benefits of a development model that delivered high-quality business and financial services in a manner consistent with international best practices and standards, and supported strong judiciaries, business transparency and economic freedom. The fiscal pressures on economies resulting from the sustained economic slowdown and changing population demographics meant that there was a pressing need for better tax administration and enforcement. The Caribbean region hosted several well-regulated financial centres that understood that, if they were to grow and thrive, they must conduct their operations in a responsible and transparent fashion.

56. In any meaningful dialogue on international cooperation in tax matters, stakeholders must focus not only on ways to promote greater financial sector transparency, but also on the needs of developing countries as they strove to create jobs and spur growth. On that understanding, the CARICOM countries would continue to participate fully in initiatives in that area. The Community was concerned, however, that small States were often invited to participate in international initiatives only after the road map or the standard had been formulated, rather than as equal co-drafters. To establish a level playing field and ensure that all countries participated on an equal footing, a new fully participatory approach that took into account the development realities of small States was needed. The Community fully supported the principle that regulatory and standard-setting processes should be conducted in truly representative institutions. Participation in decision-making, particularly in decisions affecting CARICOM economies, was a right and not a privilege.

57. CARICOM reiterated the key role of the United Nations, whose universality, legitimacy and diverse membership allowed for a variety of perspectives and priorities in the consideration of international cooperation in tax matters, the importance of which could not be overstated. It also recognized the useful

work of the Committee of Experts in supporting national efforts to achieve efficient tax administration and policies, including through the enhancement of international cooperation and multilateral participation, which should be supported, enhanced and directly linked to an intergovernmental process. Making the Committee an intergovernmental subsidiary body of the Council would enable proper intergovernmental consideration of international tax cooperation issues, something that was impossible under the current arrangement.

The meeting rose at 1 p.m.